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C O N F I D E N T I A L SECTION 01 OF 02 SANAA 000299

SIPDIS

DEPT FOR NEA/ARP ANDREW MACDONALD

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SUBJECT: HAMID AL-AHMAR ON SALEH, OIL, AND ELECTIONS

REF: A. SANAA 227

[1](#)B. SANAA 209

Classified By: Ambassador Stephen A. Seche, for reasons 1.4(b) and (d).

SUMMARY

[1](#)1. (C) Hamid al-Ahmar, Islah Party leader, prominent businessman, and son of the late Speaker of Parliament Shaykh Abdullah al-Ahmar, told Econoff on February 15 that President Saleh personally was to blame for country's problems, especially widespread corruption, and suggested that MG Ali Muhsin al-Ahmar, a distant relative, was the wrong man to succeed Saleh. Ahmar claimed the opposition is not showing enough backbone in negotiations over the April 2009 parliamentary elections. Ahmar singled out oil smuggling at the Aden Refinery as the biggest source of corruption in the country, and said the Ministry of Oil was deliberately withholding refining data from Parliament to cover illicit activities in which the ROYG was complicit. End SUMMARY.
SALEH IS THE PROBLEM

[1](#)2. (C) Hamid al-Ahmar told Econoff on February 15 that President Saleh personally was the source of the country's ills - security, political, and economic. He said the ROYG blamed the business community for Yemen's problems in order to draw attention away from the President's own corrupt governance. Ahmar cited as an example a recent private meeting during which Saleh accused him of keeping ROYG cabinet ministers "on your payroll" and Ahmar responded: "If you know I pay (your ministers), then why do you keep them on?" Yemen's real problem is that tribes must provide security in the absence of a robust and reputable ROYG security presence across the country, something that will never happen under Saleh, according to Ahmar.

[1](#)3. (C) Ahmar declined to say who should take Saleh's place in a succession scenario, but was emphatic that Northwest Regional Commander MG Ali Muhsin al-Ahmar, at one time rumored to be a top contender for the job, should not be allowed to lead the country. Moreover, he probably is not seeking the presidency anyway and was not performing well in his current position, Ahmar said. Laughing off the question of his own personal political ambitions, Ahmar said Yemen's next leader should be a civilian, not a military figure. Ahmar said that MG Ali Muhsin al-Ahmar was a distant relative but of the same family, unlike President Saleh, who despite having Ahmar in his name did not come from the same family as Hamid.

FRUSTRATION WITH THE ENERGY SECTOR

[1](#)4. (C) Taking issue with the Oil Minister's recent optimism on Yemen's future crude oil production (REF A), Ahmar described Yemen's oil sector as stagnant and the country's biggest source of corruption. (Note: Hamid al-Ahmar sits on the 16-member Oil and Development Committee in Parliament that approves the ROYG's Production-Sharing Agreements with international oil companies. End Note.) Within the oil sector, the Aden Refinery is the biggest node of corruption, Ahmar said, describing how the Oil Committee repeatedly requested and failed to receive precise information on the Refinery's operations from the Oil Ministry. He suggested

this was because the Ministry was covering up the smuggling of subsidized gasoline and diesel to Yemen's neighbors (REF B). Because the smuggling was highly profitable and "untouchable," the Aden Refinery was unlikely to undergo planned technical upgrades that could make illicit activities more difficult, Ahmar claimed.

15. (C) Ahmar faulted the ROYG for allowing the Yemen Liquefied Natural Gas Company (YLNG) to hold a monopoly on LNG exports and for accepting too low a price from YLNG operating partner and LNG client Total for Yemen's LNG exports to the U.S. and South Korea: "Our big hope for the future is natural gas, and we locked in future LNG exports at a price five times less than the current market rate." He opposed the Oil Minister's plans to cut Parliament's role in approving new and modified PSA's, saying that, far from increasing the probability of new oil and gas discoveries, this would only provide room for more corruption of Ministry officials.

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JMP IS SPINELESS

16. (C) Ahmar said that he was frustrated with the lack of progress in negotiations with the ruling party over the April 2009 parliamentary elections, but denied a February 15 press report that he was quitting the JMP-organized National Dialogue Committee. (Note: The Dialogue Committee is a JMP effort to bring governance issues "back to the Yemeni people." End Note.) He predicted that the elections would likely be delayed and expressed regret that the opposition wasn't showing more backbone in dealing with the GPC.

BACKGROUND ON HAMID AL-AHMAR

17. (SBU) Hamid al-Ahmar, the third of the late Sheikh Abdullah al-Ahmar's ten sons, is reputed to be the least politically ambitious, but a ruthless businessman. Ahmar has achieved considerable personal wealth as the head of the Al-Ahmar Group, a large conglomerate which includes telecom company Sabafon, Saba Islamic Bank, numerous oil concession blocks, Kentucky Fried Chicken, and Baskin Robbins.

COMMENT

18. (C) Hamid al-Ahmar's criticism of President Saleh is not surprising in view of his role as the head of Yemen's most prominent opposition party. His comments are in line with previous remarks, including during the run-up to the September 2006 presidential and local council elections and suggest that Ahmar will be less inclined than his father to come to an accommodation with either the president personally or the ruling party. His frustrations with the ROYG's management of the economy, especially the energy sector, mirror those of other big businessmen. The success of future major projects undertaken by the ROYG - a second LNG plant, mining reform, WTO accession - will likely depend on closer consultation with captains of industry such as Ahmar.

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